



# Actuarial Valuation Fiscal Year 2015

## Actuarial Valuation Highlights

### All Retirement Systems Experienced Actuarial Investment Gains.

- ✓ Investment return on market value – 4.5%
- ✓ Actuarial investment gain of 9.0-9.6% due to asset smoothing
- ✓ More than **\$7 billion** in total investments, **an increase of \$194 million** from 2014

Plan	Gain
PERS-DB	\$85 million
HPORS	\$2.1 million
MPORS	\$4.7 million
GWPORS	\$2.3 million
JRS	\$1.4 million
SRS	\$4.9 million
FURS	\$4.7 million
VFCA	\$0.4 million

### The Majority of Retirement Systems are Adequately Funded.

- ✓ Six of the eight retirement systems have a good funded ratio and amortization period.

Plan	Funded Ratio		Amortization Period	
	FY2014	FY2015	FY2014	FY2015
PERS-DB	74%	76%	29.3	27.2
HPORS	63%	65%	30.3	28.5
MPORS	64%	65%	19.6	18.3
GWPORS <sup>1</sup>	84%	84%	Does Not Amortize	Does Not Amortize
JRS	155%	164%	0	0
SRS <sup>2</sup>	81%	83%	Does Not Amortize	Does Not Amortize
FURS	72%	76%	11.3	9.7
VFCA <sup>3</sup>	82%	75%	5.1	9.3

<sup>1</sup> Active discussion that has taken place with SRS and MACO has led to a tentative agreement on funding solutions.

<sup>2</sup> GWPORS will amortize in 16 years.

<sup>3</sup> VFCA amortization period liability increased under House Bill 483 (2015) which raised the pension benefit available to eligible members from \$150 to \$175 a month.

### **Public Employees' Retirement System (PERS) is Actuarially Sound.**

- ✓ More than **60,000 participants** (members and retirees)
- ✓ **\$85 million** actuarial investment gain on **asset of \$6.5 billion**
- ✓ Average annual salary just under **\$41,000**
- ✓ Average monthly benefit of **\$1315**

### **The GABA Lawsuit has been Settled.**

- ✓ **3%** for retirees hired before 7/1/2007
- ✓ **1.5%** for retirees hired between 7/1/2007 – 6/30/2013
- ✓ Sliding scale ranging from **0% to 1.5%** as provided in **HB 454 (2013)** for retirees hired after 7/1/2013

### **The PERS Defined Contribution Plan Experienced a Notable Change since the Prior Valuation.**

- ✓ **House Bill 107 (2015)** directed **1%** DC employer contribution to Plan Choice Rate. Projected payoff is **February 2016** at which point contribution will accrue to the member.

### **There is an RFP for Actuary Services, including an Experience Study.**

- ✓ On September 22, 2015, MPERA submitted a Request for Proposal (RFP) through the State Procurement Bureau for Actuary Services for the coming fiscal years of 2016 - 2020.
- ✓ The RFP specifically calls for the provision of services for a new Experience Study to be completed on all MPERA-administered retirement plans by May 1, 2016.
- ✓ MPERA is currently evaluating responses to this RFP with a present intent to award a new contract for actuary services in December of 2015.

## **Actuarial Valuation Process**

A valuation is a financial checkup for a pension plan and constitutes official opinion. It provides a baseline for evaluating the sufficiency of actuarially determined contributions and the funded status of pension plans.

The purpose of a valuation is to determine the amount of contributions to pay benefits and to evaluate a plan's funded status. The process consists of two basic steps:

1. Collect data; make assumptions (census economic); project further benefit
2. Determine present value of assets and liabilities – calculate employer contributions

Specific requirements for the actuarial valuation can be found in Montana law (19-2-405, MCA).